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DE RUEHBU #0626/01 0762208
ZNY CCCCC ZZH
P 172208Z MAR 06
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC PRIORITY 3863
INFO RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 5418
RHEHNSC/NSC WASHDC PRIORITY
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,C O N F I D E N T I A L BUENOS AIRES 000626

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TREASURY FOR OIA NANCY LEE, DORA DOUGLASS, CHRIS KUSHLIS
DEPT FOR WHA/BSC IAN SHERIDAN WHA/EPSC FOR KRIS URS
EB/IFD/OMA FOR KENDALL MOSS EB/IFD/ODF FOR KERI DIZOGLIO

E.O. 12958: DECL: 03/17/2016

TAGS: [PREL](#) [EINV](#) [EFIN](#) [SENV](#) [AR](#) [UY](#)

SUBJECT: ARGENTINE MFA RAISES CONCERNS ON POSSIBLE IFC
FUNDING OF PAPER MILLS

Classified By: DCM Hugo Llorens for Reasons 1.4 (b) and (d).

¶1. (C) Argentine Foreign Minister Jorge Taiana requested a meeting with the Ambassador on March 15 to discuss GoA concerns regarding a proposal before the International Finance Corporation to provide funding for the controversial paper cellulose plants in Uruguay. In the absence of the Ambassador, who was on official travel in Argentina, the DCM, accompanied by the PolCouns, met with Taiana on March 16.

¶2. (C) During the meeting, Taiana expressed his concern that the IFC Board should not take any action on pending loan applications for the plants until a final Cumulative Impact Study (CIS) could be completed. He suggested that the concern might be consistent with U.S. regulations (Pelosi Amendment) that require that all relevant studies, including environmental impact studies, be completed and made public 120 days before the IFC Board votes on the loans. He noted a December 2005 environmental impact study on the plants was an interim report that did not meet the conditions of the Pelosi Amendment. Taiana gave the DCM a non paper on the GoA concerns, an informal translation of which is in paragraph four.

¶3. (C) Comment: It is our understanding that no date has been set for an IFC Board review of the loan proposals and, indeed, that the final CIS report is probably still sometime off. The GoA is cognizant of our neutral position on the paper mill dispute and that any decisions we make on the proposed loans will be made on a technical basis. It was our impression that Taiana was more interested in sounding out possible ways of delaying Board consideration of the loans rather than obtaining a U.S. abstention or negative vote on the loans. Taiana's demarche reflects the GoA's desire to buy additional time to seek a mutually acceptable solution to what has become a serious impediment to Argentine-Uruguayan relations. End Comment.

¶4. (C) Begin Text: Aide Memoire. The International Finance Corporation has been considering two loans for some months in order to contribute to the financing of two paper mills

located on the left margin of the Uruguay River. These projects have given rise to a controversy between the Government of the Argentine Republic and the Government of the Oriental Republic of Uruguay based on the non-compliance of legal statutes in force and the lack of a reliable environmental impact study.

The Government of the Argentine Republic has cautioned the IFC and those international banks contributing to the financing about the potential environmental and social liability they might be subject to in the case these projects are realized without complying with all the necessary requirements and, thus, cause any clear damages. This liability would be most burdensome to the main member of the World Bank and the IFC.

The Pelosi Amendment (22 U.S. Code Chapter 7, Section 262m-7) states that the U.S. Secretary of the Treasury shall instruct the Executive Director in each multilateral development bank to vote not to approve any actions taken by the respective bank that may have a significant impact on the environment unless an environmental assessment of the proposed action and alternatives for such an action is made available to the board of the bank.

In compliance with said instructions, the U.S. Executive Director at the World Bank and the IFC frequently abstains from voting when such a situation appears, although it does not prevent the action from being approved. Abstention would mean, in this case, putting forward the taking of actions that could bring social and environmental liability, as was mentioned before, with its corresponding impact.

Thus, it is requested that you consider, in the form in which you consider best, that the U.S. Executive Director at the World Bank and the IFC avoid taking a decision while the controversy is ongoing.

It is worth remembering that Argentine delegations have supported the U.S. position in international meetings with respect to restrictions on the use of methyl bromide, which affects agricultural producers and sectors of the U.S. population in a manner similar to the damages that the projected paper mills may cause to agricultural producers and sectors of the Argentine population. End Text.